HEADLINE INFLATION RISES TO 15.93%

...Elevated Energy Prices Sustained Price Pressures

June 16, 2026. *Economic Report*

Highlights

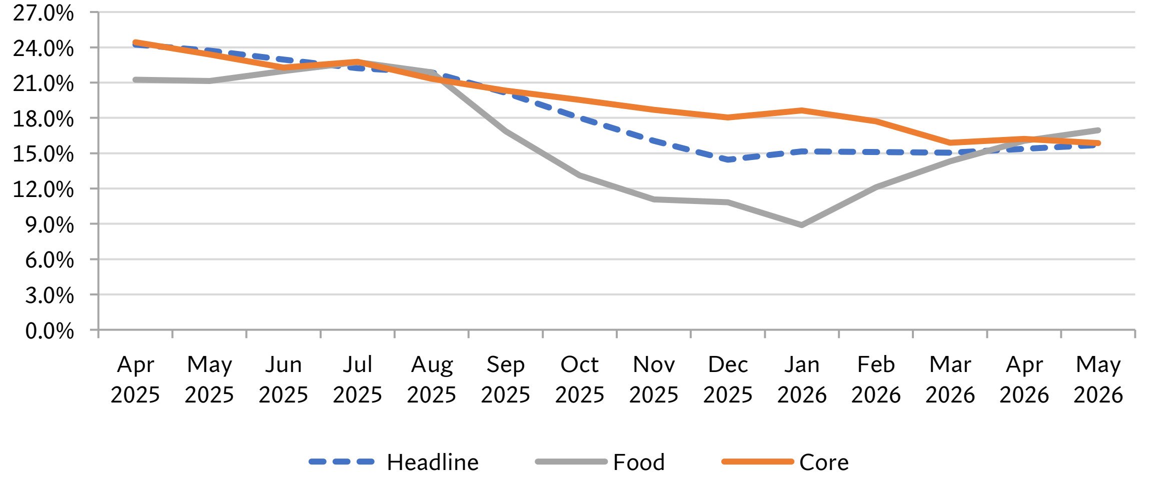
For the third consecutive time this year, Headline Inflation rose to 15.93% year-on-year from 15.69% in April 2026. This was disclosed in the consumer index report for May 2026, released by the National Bureau of Statistics (NBS). While the annual figure recorded a slight uptick, monthly inflation moderated to 1.75%, compared to 2.13% in April, indicating that the pace of price increases slowed during the month. The moderation in month-on-month inflation suggests that price pressures, although still present, were less intense than those observed in the preceding month.

Food inflation, a key driver of headline inflation, stood at 16.96% year-on-year in May 2026, higher than the 16.06% recorded in April 2026. On a month-on-month basis, however, food inflation moderated to 2.98% from 3.63% in April 2026. The slower pace of food price increases contributed significantly to the decline in monthly headline inflation during the period. The moderation in food inflation was supported by relative stability in the foreign exchange market, as the naira appreciated against the dollar by 0.12% in the NAFEM window and 1.77% in the parallel market. The stable exchange rate environment helped contain imported food costs.

Core inflation (which excludes volatile agricultural produce and energy prices) stood at 16.82% year-on-year in May 2026, higher than the 15.86% recorded in the prior month. On a month-on-month basis, however, core inflation rose to 1.94% from 1.03% in April 2026, indicating increased price pressures across key non-food segments of the economy. The uptick was largely driven by higher prices in categories such as Clothing and Footwear, Furnishings, Household Equipment and Routine Household Maintenance, Insurance and Financial Services, as well as Alcoholic Beverages, Tobacco and Narcotics.

Urban inflation stood at 16.07% year-on-year in May 2026 from 15.40% in April 2026. On a month-on-month basis, it increased to 1.99% from 1.86% in the prior month indicating a rise in price pressures on imported goods and services. On the other hand, rural inflation printed at 15.60% year-on-year in May 2026 (down from 15.36% in April 2026). On a month-on-month basis, it also slowed to 1.17% from 2.80% in April 2026, reflecting a clear easing in rural price pressures recorded in farm produce and energy costs. While urban inflation edged higher on a month-on-month basis, rural inflation moderated sharply over the same period. However, on a year-on-year basis, both segments remain broadly elevated, with urban inflation slightly higher than rural inflation.

Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research

Outlook

The inflation outlook for June 2026 appears positive, supported by recent developments in the global oil market. Brent crude oil prices have declined to $87.33 per barrel, their lowest level in three months, following reports of a potential diplomatic agreement between the United States and Iran that could facilitate the reopening of the Strait of Hormuz and direct confrontation. The easing of geopolitical tensions has helped remove part of the risk premium previously embedded in crude prices. For Nigeria, lower global oil prices could translate into reduced costs of refined petroleum products, thereby easing transportation and logistics expenses, which are key drivers of consumer prices. If sustained, this could provide additional support for the recent moderation in inflation.

Exchange rate developments have also been broadly supportive. So far in the month of June, the naira appreciated, averaging N1,385.53/$ in the parallel market and N1,362.13/$ at the NAFEM window, reflecting continued liquidity and relative stability in the foreign exchange market. Nonetheless, the stability observed at the official market remains important, as it helps contain imported inflation and reduces cost pressures for businesses reliant on foreign inputs.

Looking ahead, inflation is expected to remain on a gradual downward path in the near term, supported by slower food price growth, relative exchange-rate stability, and the prospect of lower energy costs. However, the trajectory of inflation in the second half of the year will therefore depend largely on sustained FX stability, domestic food supply conditions, and developments in the energy market.

Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	May-26	Apr-26	Change	May-26	Apr-26	Change
All-items Price Index	15.93%	15.69%	0.24%	1.75%	2.13%	-0.38%
Food Index	16.96%	16.06%	0.90%	2.98%	3.63%	-0.65%
Core Index	16.82%	15.86%	0.96%	1.94%	1.03%	0.91%
Urban All-items Index	16.07%	15.40%	0.67%	1.99%	1.86%	0.13%
Rural All-items Index	15.60%	16.36%	-0.76%	1.17%	2.80%	-1.63%

Sources: National Bureau of Statistics, WSTC Research

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